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ABSTRACT

The concept of traditional planning, programming, and budgeting systems (PPBS) is defined and compared with imperative planning, a term used to refer to whatever procedures higher education officials use to integrate program planning and budgeting. The University of Wisconsin system is described as an example of emerging budgetary practice in higher education, and it is claimed that imperative planning is succeeding in higher education while PPBS remains dormant in state government. The following major components of an operating, traditional PPBS process are defined: budget format, goals and objectives, cost-benefit analyses, multiyear projections, long-range planning, program procedures, budgetary procedures, and information procedures. Traditional PPBS was intended to guide and integrate all governmental activity. Imperative planning can be more easily implemented in higher education and PPBS in state government because of organizational similarity and a history of real or attempted program coordination. The origin of traditional PPBS is varied and often involves outside experts, while imperative planning not only originates with the executive heads of state systems, multicampus systems, and campuses, but has their ongoing support. Traditional PPBS was introduced into the states when resources were relatively plentiful, while imperative planning is higher education's response to resource scarcity. Proponents of imperative planning have less faith in quantitative analysis than seems to be required in traditional PPBS. Traditional PPBS was seen to promise the opportunity for governors and legislators to achieve specific objectives by reallocation of funds in the state budget. Few higher education administrators deal with dollars as an abstraction, and there are few illusions about the practical limits to shifting

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MAKING DECISIONS IN A TIME OF FISCAL STRINGENCY:
THE LONGER-TERM IMPLICATIONS

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MAKING DECISIONS IN A TIME OF FISCAL STRINGENCY:
THE LONGER-TERM IMPLICATIONS[1]

State budgeting for higher education has changed significantly during the past seven or eight years. I believe that these changes have a specific direction and that the pace of change is accelerating. It is now possible, although not without risk, to speculate on the broad outlines of higher education budgetary processes in, say, 1985. My own prediction is that public higher education will be supported and administered along lines that are similar to procedures and concepts proposed with great fanfare in the 1950s and 1960s, implemented in a desultory fashion by the federal and state governments, and either explicitly abandoned or less explicitly ignored in the early 1970s. I am, of course, talking about planning, programming, and budgeting systems (PPBS).

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[1]This paper has been prepared for the Inservice Education Program in Postsecondary Education, Education Commission of the States. It is generally derived from three research projects with which I have been associated: with Lyman A. Glenny, Frank A. Schmidtlein, and others in a study of state budgeting for higher education jointly funded by the National Institute of Education and the Ford Foundation; with Eugene C. Lee in a survey of multicampus systems and the "steady state" funded by the Carnegie Council on Policy Studies in Higher Education; and currently with Lyman A. Glenny in a study of higher education's response to state fiscal crisis under a grant from the Fund for the Improvement of Postsecondary Education. The views experessed here are, of course, my own, and do not necessarily reflect those of the Inservice Education Program, the several funding agencies, nor the associates named here who kindly found time to review an earlier version of the paper.

The demise of PPBS in the federal government was announced in 1971, and Allen Schick (1973) wrote its obituary:

> The death notice was conveyed on June 21, 1971, in a memorandum accompanying Circular A-11, the Office of Management and Budget's (OMB) annual ritual for the preparation and submission of agency budget requests. No mention was made in the memo of the three initials which had dazzled the world of budgeting five years earlier, nor was there any admission of failure or disappointment *[p. 146]*.

Prior to its demise, however, PPBS had spread to a number of states (Council of State Governments, 1969; Schick, 1971). This is neither the time nor the place for a new assessment of PPBS in state budgeting. My impression, however, is that, at best, it is in a state of arrested development. There is a legacy of "program budget" formats in some states and, far more important, there is a growing interest in policy or program analysis among state agencies (Glenny et al., 1975). Although individual components of PPBS are being used to improve existing budgetary processes, it does not appear that they are being integrated into a system that would use the state budget to raise major policy alternatives for decision. Viewing education as an overall state program, elementary and secondary education remains isolated from postsecondary education. Aside from the formality of 1202 commissions, postsecondary education is still fragmented into traditional higher education, community colleges, and proprietary schools.

Within higher education itself, however, state higher education agencies, multicampus systems, and individual institutions are moving--or are being driven--towards substantial achievement of what I see as the major objectives of PPBS: the integration of institutional objectives, program review, and the budgetary process. Unlike PPBS as originally conceived--what I will call "traditional PPBS"--

the present movement in higher education lacks a name. It has some aspects of a "process budget" which Fremont Lyden (1975) sees as essential for resource reallocation. "Policy analysis" might well describe the result of higher education's efforts to cope with the technical requirements of traditional PPBS (Balderston & Weathersby, 1972). Earl Cheit (1975) simply calls it a "new style" that is characterized by control, planning, evaluation, and resource reallocation. Yet these are also the characteristics of traditional PPBS which, of course, had been tried in higher education as it was in state government (Dilley, 1966; Peterson, 1971). It did not find particularly fertile ground in colleges and universities, however, and to my initial thought that the new movement might be called "academic PPBS," Lyman Glenny countered with the suggestion that "imperative planning" would be a better term. Imperative planning lacks the negative connotations of a seeming endless array of technical, procedural requirements associated with traditional PPBS. And, of the characteristics of the "new style" suggested by Earl Cheit, resource reallocation is clearly the imperative which leads to control, planning and evaluation (see Moos, 1972).

Imperative planning is a term we have coined for this paper. It is not intended to encompass specific procedures or a specific budgetary format. Indeed, these will differ within and among states, systems, and institutions. Rather, imperative planning describes whatever procedures are used when higher education settles down to realistic and serious integration of program planning and budgeting.

After briefly explaining what I mean by traditional PPBS, I will give an example of emerging budgetary practice in higher education--imperative planning. I will then compare and contrast traditional PPBS with imperative planning to show why I believe the latter is succeeding in higher education while the former remains dormant in state government. Finally, I will offer some thoughts on the

implications of imperative planning for executive and legislative budget agencies.

TRADITIONAL PPBS

Traditional PPBS had its origins in the Hoover Commission's 1949 recommendations of a federal "performance budget" based on functions and activities. In 1954 the RAND Corporation added the refinement of looking at "programs" as objectives rather than as simply combinations of related activities. Traditional PPBS was designated as the technique for formulation of the Defense Department budget for fiscal 1963, and in 1965 President Johnson required most federal agencies to follow this procedure (Held, 1968).

Both concepts and components of traditional PPBS are fairly generally understood even though different organizations used different words for them. The conceptual bases have been concisely stated by Balderston and Weathersby (1972):

> The key conceptual components of a PPB System are: (1) systematic long-range planning (5-15 years) which clearly articulates objectives and carefully examines the costs and benefits of alternative courses of action which meet these global objectives; (2) a selection process for deciding on a specific course of action (1-5 years) in the context of the examined alternatives and chosen objectives (programming); (3) translating these decisions into immediate (0-1 years), specific financial, manpower, and policy plans (budgeting); and (4) recognizing a multiyear planning horizon and incorporating to the fullest extent possible the total long-term costs and benefits attributable to each course of action *[pp. 5-6]*.

The components of traditional PPBS were also fairly well recognized. Many had been a part of budgetary practice for some time; the contribution of PPBS, however, was the attempt to integrate them into an operating system. Drawing on a number of sources, the following appear to be the major components for an operating, traditional PPBS process:

1. Budget format. A structuring of activities in terms of output-producing programs, and the organization of these programs in terms of explicitly-stated governmental objectives.

2. Goals and objectives. Explicitly and, wherever possible, quantitatively-stated governmental goals, objectives, and sub-objectives.

3. Cost-benefit analyses. Analytic studies which present alternative means to reach the objectives and which focus on outputs or benefits as well as costs or inputs.

4. Multiyear projections. A projection of both costs and outputs of the programs, in accordance with an agreed-upon plan, over a number of years into the future.

5. Long-range planning. Systematic articulation of objectives and an examination of costs and outputs over a period of from five to 15 years.

6. Program procedure. A method for deciding on a specific course of action over a period greater than the budget cycle in the context of the objectives and the analysis of alternative means to these objectives.

7. Budgetary procedure. A method for translating program decisions into specific financial, manpower, and policy plans within the budgetary cycle.

> 8. Information procedure. A system for routinely bringing information to the persons responsible for program decisions, including procedures for using the information for control and management as well as for planning.

The concepts unify the various components, but the attitudes of senior state and institutional officials, administrators, and budget professionals give reality to the process. Bertram Gross (1969) notes:

> The PPB spirit is more important than the letter. Some offices practice PPB without knowing it; others go through all the formal motions without coming anywhere near it. Moreover, there is really no one system. *[p. 116; author's emphasis]*.

It is this emphasis on the attitude or spirit behind PPBS as originally conceived that has led me to characterize it as "traditional." A tradition, of course, is something handed down more by word-of-mouth than by written precept, and there is something ironic about using it to describe practices which, for some critics, appeared to have little purpose other than the proliferation of paper. Schick (1971, p. 116) noted--and our own investigations confirm--the tendency of the attitude or spirit of PPBS to become exhausted by the routine tasks of PPBS documentation. Gross (1969, p. 116) found that beneath the routine documentation and specialized procedures and terminology, the "spirit of PPB is a marriage between program planning and budgeting." This same union characterizes imperative planning in higher education.

EMERGING BUDGETARY PRACTICE IN HIGHER EDUCATION

Leaders of public higher education are not primarily interested in developing new and more rational budgetary procedures. Their concern is with the substance of academic administration, both day-to-day problems and those which loom in an uncertain future. But budgetary procedures are being improved, and the impetus for improvement can be found in real problems of educational management and administration, not in the abstractions of budgetary or organization theory.

The University of Wisconsin System provides the clearest evidence, in my opinion, of how current trends have changed and improved the budgetary process. For the University of Wisconsin, fiscal stringency has been severe and prolonged for two biennial budget cycles, 1973-75 and 1975-77. The contracts of hundreds of probationary employees were not renewed and 88 tenured faculty were given layoff notices effective in 1973-74, with another 32 in the 1974-75 academic year. Over a period of three years, increasingly sophisticated budgetary procedures have been developed by the University. In 1975 the Governor requested a plan for "phasing out" and "phasing down" campuses and programs in light of his estimate of long-term financial and enrollment prospects. The University identified the "quality versus access" dilemma, and countered with a proposal which the legislature approved called the "2+2 Planning/ Budget Cycle." Under this proposal the University System would submit biennially a budget request covering a four-year rolling-base period, and including campus-by-campus enrollment targets by level and program mix. The Governor and legislature would deal with the budget request by identifying two years <u>certain</u> and an additional two-year <u>tentative</u> budget authorization for fixed-cost and enrollment increases. The proposal (University of Wisconsin, 1975a) stated:

> The University System understands that no legislature can commit funding for more than two years, nor can the state any more than the University System be free from such fiscal crises as may flow from an event such as the current recession. . . . Nevertheless, it is possible to normalize the basis for resource expectations on the part of the System by projecting the policy bases for such expectations on a four-year front *[p. 16]*.

The proposal was apparently well accepted by the legislature, and although the University System is still faced with immediate fiscal problems there is hope that these can be resolved in a more predictable context than is available in other states.

The most recent budgetary procedures developed by the University of Wisconsin responded to the Governor's budget proposals for the 1975-77 biennium. These proposals (a) denied funding for additional enrollment, (b) required "productivity" savings greater than had been initially indicated, and (c) denied any inflationary erosion offsets. These three factors required base-budget retrenchment, and the new allocation procedures for "distributing the pain" were guided by a "composite support index (CSI)" which reflected the relative enrollment support capacity of each residential campus. Campus differences in programming, level, and discipline were recognized in composite by weighting student credit hours. Enrollment targets derived from evaluations of this composite index were set for 1975-76 and 1976-77, and served to guide new students away from campuses whose CSI was low to those campuses which enjoyed a relatively higher CSI. A simplified extract from a system policy paper (University of Wisconsin, 1975b) illustrates the concepts and their application in the case of three campuses for the first year of the biennium.

Table 1. Composite Support Index (WSCH* in thousands)

Institution	1974-75 (actual) WSCH	1974-75 (actual) Cost/WSCH (CSI)	1975-76 (targeted) WSCH	1975-76 (targeted) Cost/WSCH (CSI)
Oshkosh	360	$41.75	366	$39.70
Eau Claire	338	36.36	334	37.62
Parkside	128	54.49	137	48.44

* Weighted student credit hours.

Assuming level funding, the target enrollments for 1975-76 would result in lower support for Parkside and slightly higher support at Eau Claire. In fact, the cost projections (i.e., Cost/WSCH) included the differential allocation of an overall $1.6 million "productivy" cut recommended in the Governor's Budget. This is illustrated by the same three campuses:

Table 2. 1975-76 Differential Allocation (in thousands)

Institution	Prorated 1.5% cut	Adjustments	Net reduction
Oshkosh	-228	+70	-158
Eau Claire	-210	+260	+50
Parkside	-113	-230	-343
Balance of University Cluster	-1078	-100	-1178
Total	-1629	-	-1629

The $1.6 million "productivity" cut was allocated selectively on the basis of explicitly stated academic planning principles. Larger than average reductions were allocated to four campuses, including Parkside. From these funds, substantial relief was given to Eau Claire and the effect of the cut was mitigated for Oshkosh

and one other campus. The University detailed its justifications for the differential allocations, and an extract from one of these explanations is illustrative (University of Wisconsin, 1975b):

> Oshkosh: The faculty and students are looking for tangible evidence that the System is backing their very considerable efforts to move to a new University model. To give substance to Academic Affairs endorsement of the Oshkosh plan, the recommendation is made that the University receive relief in the form of a $70,000 adjustment.

A more recent refinement of the composite support index takes into account situations like that at the Parkside campus where headcount enrollment is substantially greater than full-time-equivalent enrollment and weights the differing forms of enrollment to recognize the additional processing and counseling workload required (University of Wisconsin, 1975c).

It should be emphasized that the proposal for a four-year budgeting-and-planning cycle--the "2+2" plan--and the current capacity for detailed quantitative analysis evidenced by the composite support index did not emerge full-blown in 1975. They are part of an ongoing academic planning process which began several years earlier with the establishment of campus and system objectives through public hearings. When the University responded to the Governor's request for a "phase-out and phase-down" plan, it summarized the planning procedures which were then in operation (University of Wisconsin, 1975a):

> a. Rigorous application of the principles that all programs must meet tests of quality, productivity, responsiveness to societal need, cost-effectiveness, and as appropriate centrality to the basic mission and purpose of higher education.

b. Continuous audit and review of all existing programs on the basis of these standards.

c. Elimination or aiteration of low-priority programs to reallocate resources to higher priority goals.

d. Rigorous scrutiny of all new programs on the basis of criteria established.

e. Application of cost and quality effective practices including: (1) Interinstitutional resource sharing through consortia; (2) Consolidation of small program units to reduce overhead; (3) Continuous institutional review of low enrollment courses and programs.

f. Enhance institutional vitality through appropriate faculty and staff development programs and practices.

g. Seek investment in innovations likely to produce long-range quality and cost-effective methods of providing educational services *[p. xv]*.

While the University of Wisconsin System may have progressed farther down the long and difficult road that many institutions may have to travel, there are other examples. Several years ago, when traditional PPBS was more popular than it is today, another university established three high-level, broadly-based advisory committees. One committee was charged with long-range planning, another with academic program review, and a third with budget priorities. None of them did much, however, until last year when the governor mandated a mid-year reduction in expenditures. At that time, the budget priorities committee became an active participant in the selective and discriminating allocation of cutbacks among subordinate units. At least part of the dormant residue of traditional PPBS was awakened by fiscal crisis.

It is sometimes difficult to distinguish reality from rhetoric in discussing budgetary reform both at the state and institutional

level. Policy pronouncements of governors and higher education leaders are often embalmed in detailed administrative directives and memoranda which may bury rather than reveal agency or institutional operations. Organization charts present the same trap for the unwary but occupy less shelf space than, for example, a 200-page volume entitled "Program Effectiveness Measures for Selected State Agencies" issued by a state budget office. The latter is so exhaustive that one wants to believe in its use. In fact, however, one may have to look closer to the grassroots for reality.

There seems to be a reality in the report of a faculty committee which reviewed existing and newly proposed programs at several campuses of a multicampus system. Their recommendations for funding were followed and their report suggested that the central administration might well show greater interest in campus programs than it had in the past (Lee & Bowen, 1975):

> We concluded that the individual campuses are largely unaware of what is happening in *[similar programs]* on the other campuses and we suspect that, up to this point, no one at statewide has been accurately informed, either. Regardless of the degree of formal planning and control that might be exercised from a systemwide point of view, we suggest that *[the systemwide administration]* designate some individual or committee to monitor the progress and development of the various schools and programs on a continuing basis in the future *[pp. 52-53]*.

There is a widely held but erroneous belief among state officials that the heads of coordinating agencies, multicampus systems, and campuses have absolute management control over their faculty. I cannot take time to try to dispel this misapprehension here, but for those who do not labor under it, the report and the extract from it above are significant almost to the point of being revolutionary. Faculty--not administrators--are suggesting both

funding priorities and administrative monitoring of academic programs. This particular program review was part of a recently established system for integrating academic program decisions with the budgetary process. Whether the system as a whole is "rhetoric" or "reality" remains an open question. But attitudes reflected in the report and the administrative response to it are assuredly some evidence of better informed budgetary decisions.

It would be easy to characterize the activity in The University of Wisconsin System and elsewhere as simple belt-tightening. But easy characterization should not obscure the fact that many higher education organizations are not simply spending less money but are doing so through structures and processes intended to maintain and improve educational services (Balderston, 1974, pp. 225-227). This is not an easy task. The improvement of budgetary practice is a by-product of attempts to improve the foundations of educational policy. It is not an end in itself.

This may be an appropriate place to insert a disclaimer. Former Chancellor Heyns once said that he was unaware of any problems in higher education that would be solved with less money. Neither am I, and nothing in this paper should be otherwise interpreted. Fiscal stringency may create conditions under which higher education budgetary processes can improve as suggested here. But even the most rational budgetary process cannot replace educational quality. Without attempting to define "quality," we all know that it is unlikely to be found in overcrowded classrooms, overworked or poorly paid instructors, badly maintained buildings, or fragmented course sequences. Fiscal stringency, whether induced by state economic conditions, by inflationary erosion of budget bases, or by state governmental fiat, cannot improve the quality of higher education in any way. At best, more sophisticated budget processes can reduce the potential harm.

COMPARISON AND CONTRAST

PPBS as originally conceived--traditional PPBS--affords a useful framework for closer examination of imperative planning. Both traditional PPBS and imperative planning aim for the union of program planning and budgeting. But PPBS in state governmental budgeting is "an idea whose time has not quite come" (Schick, 1971, p. 218), while in higher education the time seems ripe for imperative planning. Why is this so? Table 3 summarizes aspects of both traditional PPBS and imperative planning which, examined in greater detail, may provide an answer.

Table 3

	Traditional PPBS	Imperative Planning
1. What activities do procedures encompass?	All state services	Only higher education services
2. What is the origin of procedures?	Various. Often outside "experts"	Senior administrators within organization
3. When are procedures initiated?	Anytime	When programmatic decisions so require
4. What is the relative status of budget professionals?	Relatively high	Relatively low
5. What is the relative importance of data quantification?	Relatively high	Relatively low
6. What is the relative importance of dollars as such compared to programs?	Dollars of relatively greater importance	Programs of relatively greater importance

Scope of Activity. Traditional PPBS was intended to guide and integrate all governmental activity. Budgetary programs would cross organizational lines to better portray their relationship to national or statewide objectives. The aim of imperative planning is more modest, encompassing only the activities of one or of a relatively small number of similar organizations. Moreover, higher education comes to proposals for budgetary reform with a history--albeit a checkered one--of structured coordination of academic program activity. Imperative planning can be more easily implemented in higher education than PPBS in state government because of organizational similarity and a history of real or attempted program coordination.

Origin of Procedures. Traditional PPBS originated in think tanks supported by the Department of Defense and spread to the states through the missionary efforts of consultants with federal funds (Mushkin, 1969, p. 173). Although governors or legislative leadership sometimes initiated traditional PPBS, their attention span was rarely sufficient to maintain the initial impetus. If traditional PPBS was attempted on only the governor's initiative, legislative leaders often remained wedded to the traditional budgetary practices in which they were the experts (see Wildavsky, 1969, p. 198). And they sometimes had the tacit support of the professional staff of the executive budget office (Gross, 1969, p. 115). Moreover, governors themselves, as in California, might find that multiyear projections of expendures had considerably less to recommend them in reality than in theory.

In contrast, imperative planning not only originates with the executive heads of state systems, multicampus systems, and campuses, but has their ongoing support. Governors and legislators may have used traditional PPBS for presenting alternatives for decision, but none were under any illusions that it would or should replace existing political structures and processes. Senior academic administrators on the other hand, find that the external world is imposing new "political" structures and processes on higher education.

When Are Procedures Initiated? For substantial budgetary improvements to take root, mere recognition of deficiencies in the existing process is not enough. Whatever faults an existing process might have, it does produce annual or biennial budgets, and there is nothing irrational about preferring a working procedure to a proposed one with faults that are unknown. Traditional PPBS was introduced into the states when resources were relatively plentiful and procedures--if not ideal--were working. Imperative planning, on the other hand, is higher education's response to resource scarcity. The old budgetary procedures--the formulas, the needs requests--no longer assure adequate state funding. Operational needs--wholly aside from budgetary procedures--require both analysis of academic programs and close examination of their relationship to the statewide, systemwide, and institutional objectives. In brief, imperative planning emerges as a natural--perhaps the only--solution to existing and urgent substantive needs. Traditional PPBS, in contrast, remains a possible solution to needs that are perceived as less pressing.

Relative Status of Budget Professionals. Whether it be the federal Office of Management and Budget or a state office of administration, budget bureau, or department of finance, the executive fiscal agency is generally--almost always--a major focus of power (Anton, 1967). State budget offices are the one place in state government where agency priorities are brought together with the hope of welding them into a coherent whole.

The state's chief financial officer is generally a powerful politician dealing with his peers. Major state policy issues are often fiscal issues, but even when they are not his opinions are of great weight. In contrast, a financial officer in higher education rarely has similar status. Neither a scholar nor a teacher, he lacks

the prestige that is the coin of the realm in academic life. Educational policy is the province of the institutional president, the faculty, or the governing board. The academic budget officer must translate policy into budgetary format, but unlike his counterpart, the senior state fiscal officer, he usually has a relatively minor role in policy decisions themselves.

For traditional PPBS, administrative strength, political clout, and the policy role of the executive budget office had two results. If budget staff perceived the new procedures as a threat to its authority it could and did subvert them. If, on the other hand, these procedures were seen as enhancing its power, then other state agencies and sometimes the legislature were in opposition. State fiscal agencies were an important element in a balance of political power, and traditional PPBS, if more than simple tinkering with forms, threatened that balance. While imperative planning poses a similar threat to internal power balances in higher education, the threat is less because the academic budget officer is less dominant.

The Importance of Data Quantification. In traditional PPBS quantified output measures had high priority but were clearly one of the most difficult of the required elements to accomplish (Capron, 1969, p. 163). Anthony Downs (1967, pp. 206-207) suggested that the "bigger the role of judgment in the final decision, the greater the probability that a wise man will make the right choice without the help" of quantified data. Numbers of dollars are the tools of the state budgetary trade, but major decisions about them and programs represented by them are rarely based on statistical or even simple arithmetic calculations. Rather the judgment of elected officials and senior budget administrators furnishes the answers, and PPBS techniques take a back seat (Schick, 1971):

> The introduction of PPB has brought a damaging gap between publicity and performance. Agencies go through the motions of preparing PPB documents--in addition to their regular budget work. The regular submissions get all the attention, while the analyses and plans are disregarded. In the final days of budget decision, months of promotional and analytic work can go down the drain as budgeters forsake the long view in favor of the short run, and the analytic in favor of the justificatory material. . . . Thus, PPB seems out of place in the final moments of budgetmaking *[p. 115]*.

Imperative planning is unlikely to suffer from the "gap between publicity and performance." There has been little publicity, for the improved budgetary processes have never been introduced by a particular title or as an end in themselves. More to the point, the academic establishment expects little from the quantification of information--at least about its own activities. When the report of the National Commission on the Financing of Postsecondary Education (1973) appeared, it was reviewed in a major educational journal under the title "Proved at Last: One Physics Major Equals 1.34 Chemistry Major or 1.66 Economics Major" (Hyde, 1974). Healthy skepticism about quantification permeates higher education, and imperative planning may well succeed because its proponents have less faith in quantitative analysis than seemed to be required in traditional PPBS.

Dollars and Programs. In state government the allocation of dollars is an end in itself, for proposed expenditures must be balanced against projected revenues. On the other hand, for senior educational administrators the decisions relating to faculty, students, and academic programs are foremost in importance. They lack control over revenues, and while dollars can be marginally critical, faculty, students, programs, and their respective costs are already related to each other and largely determined by past budgets.

To put the matter somewhat differently, traditional PPBS promised--or was seen to promise--the opportunity for governors and legislators to achieve specific objectives by reallocation of funds in the state budget. The practical limits imposed by existing commitments may have been obscured by the habit of dealing with state services in terms of abstract dollar amounts. In any event, it is by no means clear that the proponents of traditional PPBS were fully aware of the constraints that reality imposes on state budgeting. They seemed to believe that conventional wisdom about last year's budget being the best predictor of this year's budget pointed out a deficiency in existing budgetary processes (Schick, 1969, pp. 138-139).

In contrast, few higher education administrators deal with dollars as an abstraction, and there are few illusions about the practical limits to shifting dollars to achieve program objectives.

THE ROLE OF EXECUTIVE AND LEGISLATIVE BUDGET AGENCIES

Generalizations and predictions about higher education carry substantial risk, but far less than those dealing with state budgetary structures and practices. Across all states, higher education budgets account for the costs of students, teachers, and facilities, and the methods are relatively uniform at the institutional level (National Association of College and University Budget Officers, 1974). At the state level, however, there are enormous variations in the format and content of governors' budgets, appropriation bills, and allotment practices. Among 17 states in a current study at the Center we found that executive budget offices may have as few as one and as many as nine or more professional staff reviewing higher education budgets (Glenny, et al., 1975, p. 18-19). Legislative staffing

patterns not only show variations in size but in many other characteristics related to the structure of substantive and fiscal committees. Recent studies, however, our own included, reveal two aspects of state activity that seem particularly relevant to retrenchment.

Flexibility is the first. When fiscal stringency comes suddenly to a state the governor's office and fiscal staff are the first to cope with it. They usually allocate necessary reductions across-the-board to all state agencies, and all, including higher education organizations, are delegated the detailed implementation of the cutbacks. Where executive budget office approval is required for transfers, it has been forthcoming in all but one relatively minor instance. The immediate needs of the higher education institutions for flexibility have been recognized.

When fiscal stringency continues into a second year or beyond, state recognition of the need for flexibility appears to continue. In one instance, the executive budget office gave advance assurance that budgetary transfers would be approved. In another, the legislature changed the appropriation bill from a line-item to a lump-sum format to permit greater flexibility.

These signs of recognition of the need for flexibility are encouraging. While leveling state support is usually a major factor causing financial distress, it is by no means the only one with which higher education must cope (Lee & Bowen, 1975):

> Uncertainty of federal and extramural funds further reduces the necessary guarantee of fiscal flexibility required in times of resource constraint. Funds such as indirect cost reimbursement from grants and contracts are less available as a source of discretion, as they are diverted to activities previously supported by the state. Similarly, faculty collective bargaining may make inroads on fiscal flexibility as unallocated dollars are required to caulk the seams of negotiated contracts *[p. 138]*.

If higher education is moving towards imperative planning, then freedom from detailed preaudit and similar controls appears essential. Flexibility cannot mean the end of either fiscal or programmatic accountability to the state, however. With the Carnegie Commission on Higher Education (1971, p. 105) we believe the state must "exercise influence and even control" over a variety of matters, including effective use of resources.

Accountability is the second aspect of state practice that is relevant to this discussion. To achieve program accountability there is a growing reliance on special program or performance audits undertaken by special staff units (Glenny et al., 1975, p. 50). Their activity is supplemented with requests that higher education furnish studies and reports on particular topics. These relatively new modes of examining higher education have both a bright and a dark side.

On the bright side, such studies can be a powerful aid to governors and legislatures both in determining future policy directions and in reviewing higher education's compliance with past directives. For higher education, such studies can substitute thoughtful and thorough analysis of performance for mechanical guidelines and formulas and the surface auditing of complex operations. The form and content of these studies will vary with the issues, but at their best there is the real possibility of the true "policy analysis" which Aaron Wildavsky (1969) seeks to rescue from traditional PPBS.

There is a dark side as well. The more detailed the information about the operations of higher education, the greater the temptation to correct perceived deficiencies. The increasing analytic capacity of state executive and legislative budget agencies is potentially beneficial, but the immediate impact is mixed.

There is need to define more explicitly the boundary between legitimate state fiscal concerns and educational prerogatives. In some instances state probes seem unconstrained by an understanding of costs of response or the utility of such probes to senior state officials and budget officers. Staggered response deadlines, avoidance of duplicate inquiries, prior agreement on the precise reason for inquiry and the result desired, and costs and priority of requests should be among the minimal conditions of any state inquiry. Almost heroic self-restraint on the part of governors, legislators, and their staffs is essential to avoid unnecessary and possibly harmful intervention into internal management of academic affairs.

Similarly, procedures must be devised to separate educational policy decisions from fiscal ones wherever possible. The annual or biennial budget will remain the major vehicle for communicating state policy to higher education, but it should not become a catchall for policies which, however worthy, have only peripheral financial implications. As the margin for error in deciding critical fiscal questions narrows, the decision process should not be confused by other issues more appropriately resolved in other forums.

Many educational policy decisions are proper subjects for state consideration. A new medical school, a major change in admissions qualifications, the closing of a campus, are questions of state policy beyond the confines of the institution. Discussion and resolution of such issues should not be dominated by the specific thrust and inexorable force of the state budget process. My expectation is that they will not be so dominated, but rather that the more rational decision processes within higher education--imperative planning--will be accepted by governors and legislators and their staffs as a realistic basis for funding decisions at the state level.

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